

Co-op completes purchase of Virginia turkey plant

By Michael Leach
USDA Rural Development

The newly formed Virginia Poultry Growers Cooperative (VPGC) has acquired the Pilgrims' Pride turkey processing operation in Hinton, Va., in the heart of the Shenandoah Valley, for about \$15 million. The new formed co-op will keep the plant, which can process 8 million birds annually, operating under farmer ownership. Also purchased as part of the deal is a feed mill in Broadway, Va.

Producers are using a combination of equity they raised among themselves and outside sources, grants and low-interest loans from federal, state and local governments, and financing from Farm Credit of Virginia to buy the plant. The remainder of the financing was close to being finalized at press deadline in late October, with CoBank expressing strong interest in the deal.

The plant was closed temporarily in mid-September, but the co-op plans to have it back in operation by the end of November.

Last April, Pilgrims' Pride announced plans to close the facility unless a buyer was found by Oct. 1, which sent an economic tremor rumbling throughout the region. If the plant were shut down, it would have left a \$200-million dent in the economy of the Valley. Lost annual wages for the plant's 1,300 workers alone would have been about \$38 million annually; and up to 200 farmers were faced with the prospect of

bankruptcy. While not all the jobs are being saved, the co-op hopes to hire back more staff in coming months as plant volume increases.

Co-op President Sonny Meyerhoffer says VPGC had to do in a few months what typically takes at least 18 months to accomplish. Organizers had to accelerate the takeover process—including forging a solid business plan in a matter of weeks—because the window of



opportunity was so limited. "The dream is alive," Meyerhoffer said at a co-op meeting.

"It's almost a miracle that they were able to complete a fairly complex deal in such a short amount of time, but it's also evidence of just how crucial this plant is to the poultry industry and the economy of the region," says Norm Hyde, a spokesman for the Virginia Farm Bureau Federation. "It would have been a crushing economic blow had it closed."

Rockingham County, Va., where the plant is located, is considered to be the birth place of the modern turkey industry, Hyde noted. Additionally, in

recent years it has been the largest turkey-producing county in the United States.

Texas-based Pilgrims' Pride said it wanted to sell the plant, which processes whole birds and turkey breasts, to focus more on value-added, deli turkey products. The co-op will be phasing in de-boning operations to produce more processed parts. A positive sign of the co-op's prospects in the marketplace came when a strategic partner in the high-end meat processing business agreed to purchase turkey breasts from VPGC.

Cooperative members had invested \$2.6 million by early August. USDA Rural Development provided an \$8 million grant—through it Rural Economic Development Loan and Grants program—to the Shenandoah Valley Electric Cooperative, which in turn

made a low-interest loan to the turkey co-op. The state of Virginia's Department of Agriculture and Consumer Services provided the co-op with a \$500,000 grant, and West Virginia provided a \$250,000 grant. Rockingham County also chipped in with a \$100,000 grant.

When delivering the grant from Virginia, VDACS Commissioner Carlton Grant said the farmers who formed the co-op "represent the true spirit of American agriculture; they are people who look adversity square in the eye, brace harsh reality and then band together to find a solution." ■